Government of Canada

News Release

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Canada's New Government Supports an International Initiative to Improve Governance in Resource-Rich Countries

Essen, Germany – The Honourable Jim Flaherty, Minister of Finance, today announced Canada's official support for the Extractive Industries Transparency Initiative (EITI) on behalf of the Honourable Peter MacKay, Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, the Honourable Josée Verner, Minister of International Cooperation and Minister for La Francophonie and Official Languages, and the Honourable Gary Lunn, Minister of Natural Resources.

EITI is a coalition of governments, industries, investors, and international and non-governmental agencies. It supports improved governance in resource-rich countries through the full publication and verification of company payments and government revenues for oil, gas and mining industries.

"Accountability, transparency, fairness—these are the principles of this international partnership, designed to increase the disclosure of resource revenues in developing countries," Minister Flaherty said following a meeting of Group of Seven (G7) Finance Ministers and Central Bank Governors. "They are principles Canada supports, and we intend to play a leading role in ensuring that citizens, not just governments or foreign companies, share in their nation's prosperity."

"Over the past year, my department has consulted with Canadian business and civil society on improving corporate social and environmental practices by extractive industries abroad. Canada's New Government has listened, and our support will promote transparency and the rule of law," said Minister MacKay.

"Our goals are to reduce poverty, promote democracy and reduce the risk of conflict," said Minister Verner. "Initiatives like EITI support these goals and at the same time help to ensure a greater degree of transparency, which allows citizens to demand greater accountability from their governments."

By making oil, gas and mining activities more transparent by publicizing payments and revenues, EITI's benefits will encourage improved government accountability and long-term economic sustainability.

"We support the principles of EITI and the aim of increasing the transparency of payments by oil, gas and mining companies to governments in developing countries," said Minister Lunn.

Canada's support includes a contribution of $750,000 to the EITI Multi-Donor Trust Fund, as well as $100,000 in annual, ongoing funding.

Canada also indicated that it will provide technical support in areas such as corporate governance in cooperation with leading Canadian mining companies.

More information about the Extractive Industries Transparency Initiative and Canada's role is contained in the attached backgrounder. A detailed description of the program can be found on the EITI website at www.eitransparency.org.

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Backgrounder
The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) supports improved governance in resource-rich, developing countries through the full publication and verification of company payments and government revenues.

Its ultimate aim is to overcome the "resource curse"—the risk of poverty, corruption and conflict in countries rich in oil, gas and minerals but lacking in transparency and accountability. Ensuring that revenues from natural resources result in greater government spending on health, education and other priorities is key to the Initiative's goals of reducing poverty, promoting democracy and reducing the risk of conflict.

These extractive industries are important to more than 50 developing countries that are home to 3.5 billion people. The reasons countries participate in the Initiative are varied:

- Companies may demand a level playing field and predictable environment in which to invest;

- Governments may see EITI as an important way to address corruption in the extractive sector revenue streams, thereby contributing to important development and anti-poverty goals; and

- Countries seeking debt relief may need to demonstrate good stewardship over natural resources.

Developing countries that participate in the EITI program agree to follow the following principles:

- Regular publication of oil, gas and mining payments by companies to governments, and revenues received by governments from those industries, to a wide audience in an accessible and comprehensive manner;

- Credible, independent "validation" of payments and revenues that apply international accounting standards by a validator approved by the EITI Secretariat;

- Cooperation with citizens' groups and other non-governmental organizations in the design, monitoring and evaluation of the payment and revenue process; and

- A public work plan developed by governments, with assistance where required by international institutions, that includes clear targets, implementation timetables and risk assessments.

EITI funds are spent in implementing countries on forming multi-stakeholder groups to oversee national compliance of EITI, working with government officials to develop work plans and implement required financial measures, and retaining third-party validators approved by the Secretariat to conduct audits in EITI implementing countries.

EITI is supported through a Multi-Donor Trust Fund, which is administered by the World Bank, and overseen by countries donating more than $500,000, including Canada, France, Germany, the Netherlands, Norway and the United Kingdom. Canada is providing an upfront contribution of $750,000 and an additional $100,000 of ongoing annual funding.

In addition to the governments of donor countries, the Initiative is supported by many of the world's largest oil and mining companies, including several Canadian companies, and by civil society organizations such as the Publish What You Pay coalition and the Revenue Watch Institute.

EITI currently funds activities in Azerbaijan, Cameroon, Republic of Congo, Democratic Republic of Congo, Gabon, Ghana, Kazakhstan, Kyrgyz Republic, Mauritania, Mongolia, Niger, Nigeria, São Tomé and Principe, and Timor Leste. More than 15 other countries are either discussing their participation with EITI or have endorsed the Initiative and are currently preparing to implement it.

As a multi-stakeholder initiative that involves oil, gas and mining companies, EITI supports the Canadian International Development Agency's objective of working with the private sector to identify and implement practical solutions to development challenges. EITI's transparency and accountability objectives are consistent with Canada's official development assistance programs that focus on strengthening democratic governance by combatting bribery and corruption, and strengthening the contribution of the private sector to poverty reduction through more responsible corporate practices.

Broad consultations of the Canadian extractive industries and civil society took place in 2006, demonstrating widespread support for EITI by interested Canadian stakeholders. The consultation process emerged from a 2005 report by the Standing Committee on Foreign Affairs and International Trade, which called on the Government of Canada to promote greater corporate social responsibility (CSR) among Canadian mining companies in developing countries and to make improved natural resource governance a priority in Canada's development assistance.

With Prime Minister Stephen Harper's support, these recommendations then led the Department of Foreign Affairs and International Trade, working with partner government departments, to conduct a series of Roundtables across Canada over the past year. These meetings examined measures that could be taken to position Canadian extractive sector companies operating in developing countries to meet or exceed leading international CSR standards and best practices. Recommendations on strengthening Canadian CSR policy emerging from the Roundtable process are expected to be tabled in Parliament this spring.